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UTILITIES COMMISSION

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September 2, 2015

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-13-16 - Selective Catalytic Reduction ("SCR") Controls on Jim Bridger Power Plant Units 3 and 4 – Idaho Power Company's 7th Quarterly Report

Dear Ms. Jewell:

In Order No. 32929, the Idaho Public Utilities Commission ("Commission") directed Idaho Power Company ("Company") to submit quarterly reports updating the Commission on any changes to environmental policy or regulations until such time as the Jim Bridger Power Plant upgrades are installed and placed in service. The enclosed materials indicate that the Company still expects the SCRs on Units 3 and 4 will be placed in service by December 31, 2015, and December 31, 2016, respectively.

Please note that the attachment to this report is commercially sensitive and if disclosed freely could subject Idaho Power or its customers to risk of competitive disadvantage or other business injury. Consequently, the attachment will be provided separately to those parties that have signed the Protective Agreement in this matter. The undersigned attorney, in accordance with RP 233, certifies that this monthly report contains information that is a trade secret or privileged or confidential as described in Idaho Code § 9-340, et seq., and § 48-801, et seq., and as such is exempt from public inspection, examination, or copying.

Very truly yours,



Lisa D. Nordstrom

LDN:kkt
Enclosure
cc: Service List

7th Quarterly Report for the Jim Bridger Plant
Selective Catalytic Reduction Upgrade at Units 3 and 4
September 2, 2015

This quarterly report provides an update as to the current status of environmental policies or regulations that are relevant to the construction of the Selective Catalytic Reduction (“SCR”) controls at the Jim Bridger Plant Units 3 and 4 (“Bridger Plant”), as well as a construction progress update for the SCR installation project through August 12, 2015, and a schedule of major construction milestones. Finally, a summary of actual project costs and a forecast of total project costs as of June 30, 2015, is provided as a confidential attachment to this report.

Environmental Regulations Update:

Clean Air Act Section 111(d) for Existing Power Plants

On August 3, 2015, the U.S. Environmental Protection Agency (“EPA”) released its final rule establishing greenhouse gas performance standards for existing power plants under Clean Air Act Section 111(d) (“Final Rule”). EPA refers to this rule as the “Clean Power Plan” or “CPP”. The Final Rule contains many changes from the proposed rule. The EPA made changes to allow for increased use of thermal generation due to hydro variability and made adjustments for plants like Langley Gulch that came online in 2012.

The calculations that led to final goals for each state are now based on a regional approach rather than a state-by-state approach, which has resulted in large shifts in the goals for each state. Overall, the highest goals (least stringent) were made more stringent with lower rate/mass goals and the lower goals (most stringent, such as in Idaho) were relaxed with higher rate/mass goals. Other notable changes to the rule include: (1) the recharacterization of energy efficiency from a requirement to an option for compliance, (2) the addition of a reliability safety valve to be used when compliance with the rule has the potential to negatively impact reliability, and (3) the inclusion of model trading rules for new emission rate credits (“ERCs”) or allowances to be used for compliance.

The final rule is expected to be published in the Federal Register in September. States will be required to submit a state compliance plan, or an initial submittal with an extension request, by September 6, 2016. Final completed state plans must be submitted no later than September 6, 2018. It is estimated that approval or disapproval, from the federal EPA of the implementation plans will occur 12 months following submittal of the plans.

Idaho Power is continuing to evaluate the impact that the Clean Power Plan will have on its operations. In the meantime, the Company is reaching out to state representatives, neighboring utilities, and other stakeholders to collaboratively assess the impacts of the rule and prepare for the best path forward for Idaho Power and its customers.

Mercury and Air Toxics Standards (“MATS”)

On November 25, 2014, the United States Supreme Court granted a petition for review based on the issue of whether the EPA unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air pollutants from coal-fired and oil-fired steam electric generating units. On June 29, 2015, the United States Supreme Court issued a decision holding that the EPA must consider cost, including the cost of compliance, before deciding whether regulation is appropriate and necessary, and remanded the case to the District of

Columbia Circuit Court for further proceedings consistent with the United States Supreme Court's decision. The MATS remain in effect until the District of Columbia Circuit Court implements the Supreme Court's decision.

Jim Bridger Units 3 and 4 SCR Analysis:

The Company prepared an updated analysis for Jim Bridger Units 3 and 4 SCRs that was included in Appendix C to the Company's 2015 Integrated Resource Plan. The 2015 SCR Analysis re-examined the previous conclusion that installation of the SCRs on Units 3 and 4 is the least-cost and least-risk means of ensuring that Units 3 and 4 comply with state and federal emissions regulations. The 2015 SCR Analysis had two objectives:

1. Evaluate the changes in environmental requirements since the previous study that may have an impact on the cost-effectiveness and/or the viability of the SCRs on Units 3 and 4, and
2. Determine the cost-effectiveness of installing the SCRs compared to the fixed costs of replacing the coal-fired generation from Units 3 and 4 with a combined-cycle combustion turbine ("CCCT") generation resource alternative.

Based on the 2015 SCR analysis, installation of the SCRs on Unit 3 and 4 continues to be the least-cost option compared to shuttering Units 3 and 4 and replacing that generation with a CCCT resource.

Construction Progress Update:

The project to install the SCR controls at the Bridger Plant is moving forward as planned and is on schedule to meet the required completion dates. The following section provides a high level description of the construction activities since the last quarterly report (which provided an update through May 18, 2015). It should also be noted that the following updates relate to projects that were included as part of the Engineering, Procurement and Construction contract ("EPC Contract") or individual projects identified as separate expense categories in the budget.

The Unit 3 structural steel is 99 percent complete and 85.6 percent of the 3,031 tons of Unit 4 structural steel has been erected.

As of August 3, 2015, 99 percent of the 7,570 linear feet for the Unit 3 SCR reactor piping had been completed.

As of August 2, 2015, 51 percent of the overall electrical field work had been completed which consists of: 99 percent of the ammonia area electrical work, 98 percent of the Unit 3 SCR electrical work, and 1 percent of the Unit 4 SCR electrical work.

The Unit 4 North Induced Draft ("ID") fan rotor arrived on site on June 25, 2015. The South ID fan rotor arrived on site on July 16, 2015. The North ID fan rotor and housing is currently being assembled.

Shipment of the Unit 3 catalysts began on July 13, 2015; subsequently all the catalysts have arrived on site and are installed in the reactor vessel.

The ammonia receiving and storage facility is nearing completion and a successful dry run for unloading a shipment of ammonia was performed on August 12, 2015. The storage facility vapor suppression system is being tested for acceptance.

Work continues to prepare Unit 3 for outage and the SCR tie-in and completion. The Unit 3 outage is scheduled to start on September 5, 2015.

Commissioning activities for the SCR began on June 30, 2015. These activities include: complete testing of the various systems, testing of controls for proper function, mechanical equipment checks, and system operations tests. Commissioning work of the entire SCR system will continue until the project is transferred to the Bridger Plant.

The final SCR operations and maintenance ("O&M") manual was received on July 16, 2015, and the three plant copies are onsite. The O&M manual is over 26,000 pages long.

Schedule:

The project remains on schedule to comply with the required completion dates with the following major milestones remaining:

- Unit 3 Fall Outage Start – September 5, 2015
- Unit 3 Mechanical Completion – November 5, 2015
- Unit 3 Compliance Deadline – December 31, 2015
- Unit 4 Fall Outage Start – September 3, 2016
- Unit 4 Mechanical Completion – November 3, 2016
- Unit 4 Compliance Deadline – December 31, 2016

Conclusion:

The installation of SCR controls at the Bridger Plant remains on schedule and under budget. Based on the 2015 SCR Analysis, the SCR investments continue to be the most cost-effective means of ensuring that Units 3 and 4 comply with state and federal emissions regulations. Further, the Company continues to believe that the Bridger Plant SCR investments represent the lowest cost and least risk option for serving future customer demands.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 2nd day of September 2015 I served a true and correct copy of the within 7th QUARTERLY REPORT FOR THE JIM BRIDGER SELECTIVE CATALYTIC REDUCTION UPGRADE AT UNITS 3 AND 4, upon the following named parties by the method indicated below, and addressed to the following:

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